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THRU: Chief. D/S

Chief, S/TF

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Request for priority reporting by the on Egyptian Attempts to Discount Credit Balances in Sino-coviet Bloc Correncies for Free World Ourrencies.

Since the nationalization of the Suez Canal in July 1956 and the subsequent freezing of Egyptian assets in European and U.S. banks. Mayot has become desperately short of foreign exchange. Furthermore, over the past few years Egypt has developed a simeable surplus in its balance of trade with the Sino-Soviet Bloc, not all of which has been compensated for by remittal of services and currencies from the bloc. informed U.S.

Embassy officials that, excluding armoments agreements agypt held net credit balances against the bloc which amounted to the equivalent of approximately #28 million.

In view of these circumstances, and with the knowledge that some bloc countries have attempted to settle their debts to Egypt with shipments of goods purchased from western countries, it seems probable that Egypt may attempt to purchase western goods or currencies by discounting its bloc credit balances. Reports of such activities with details concerning terms offered (amount of discount, sum involved) are urgently needed by ORR.

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